McBork Report May 16, 2019

I hope all is well with you and your family. The stock market has rebounded nicely since its low on Christmas Eve. Since then, the S&P Index is up 21.3% and the Barclay's Aggregate Bond Index is up 3.4%. Although this is good news, we need to keep in mind that the risk of a long drawn out trade war with China is squarely back in the news as war has rising tensions with Iran. Although Brexit and interest rate hikes have been pushed back, they still need to be monitored closely.

With stock prices hitting all-time highs in late April and our continued cautious approach due to geopolitical and other concerns, we decided to trim back equity exposure in our advisory accounts. Since we believe interest rates will remain the same in the foreseeable future, we have placed most of the proceeds into bond funds.

In addition to the issues of our national debt and deficit that I have addressed in recent McBork Reports, the fact that many baby boomers cannot retire is another concern. I feel that this issue will soon start to surface in headlines.

An October 2017 study by the Center for Retirement Research using data from the Federal Reserve survey data showed that people over 55 years old had a median retirement account balance of $104,000. A 2018 study by Northwestern Mutual showed that one-third of retiring baby boomers have less than $25,000 set aside for retirement.

Unless you have a pension, almost all retirees are expecting to receive some sort of monthly social security payment. The Social Security Administration website states that the program was originally designed to replace, on average, 40% of one's lost income from retirement. For those that did not save, retirement might be solely funded by social security.

AARP indicates that due to a rising number of retirees and a drop in the birthrate, the latest projection is that the Social Security Trust Fund (which pays about 21% of monthly payments to those currently taking social security) will run out of cash by 2034 if Congress does not act. I believe Congress will eventually "tweak" some aspects of the social security platform to keep the program solvent, but we have to remember that this program was not intended to replace 100% of our income.

All of this tells me that many Americans cannot afford to retire when they might want to. Those who do decide to retire will most likely have to dramatically change their spending habits. This will have a negative impact on the US economy as two-thirds of it is comprised of consumer spending [1] and would put pressure on the US stock markets.

Please let us know if you would like us to create or review your retirement analysis. If you have any questions, please contact me at 312-967-4000 or gregory@RIGchicago.com.

Take care and have a great rest of spring.

Sincerely,

Gregory Bork Jr.

1. The Balanced, "Consumer Spending Trends and Current Statistics" 4/27/19

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